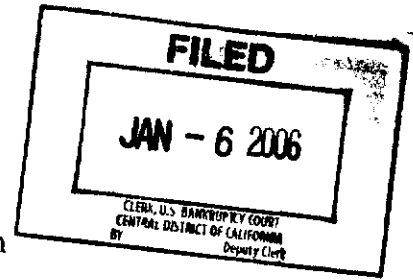
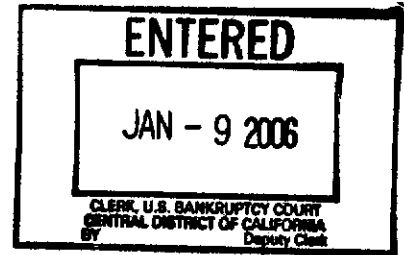


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UNITED STATES BANKRUPTCY COURT  
 CENTRAL DISTRICT OF CALIFORNIA  
 LOS ANGELES DIVISION

In re:

**FOUNTAIN VIEW, INC.,** a Delaware  
 corporation, et al.,

Debtors.

Case No.: LA 01-39678 BB through  
 LA 01-39697 BB; and

LA 01-45516 BB;  
 LA 01-45520 BB; and  
 LA 01-45525 BB

(Jointly Administered under Case No.  
 LA 01-39678 BB)

Chapter 11

**AMENDED STIPULATION  
 RESOLVING CLAIMS OF  
 CALIFORNIA DEPARTMENT OF  
 HEALTH SERVICES; ORDER  
 THEREON**

No Hearing Required

///

///

KLEE, TUCHIN, BOGDANOFF & STERN LLP  
 2121 AVENUE OF THE STARS, 33<sup>RD</sup> FLOOR  
 LOS ANGELES, CALIFORNIA 90067-5061  
 (310) 407-4000

STIPULATION

This Amended Stipulation ("Amended Stipulation") is entered into by and between Skilled Healthcare Group, Inc., f.k.a. Fountain View, Inc. ("Skilled Healthcare") on behalf of the Reorganized Enterprise, and the State Of California Department Of Health Services (the "DHS") as follows:

RECITALS

A. On October 2, 2001 (the "Petition Date"), Fountain View, Inc. and nineteen of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. On November 28, 2001, voluntary chapter 11 petitions were filed for three additional Fountain View, Inc. affiliates. On July 10, 2003, the Bankruptcy Court entered its *Order Confirming Debtors' Third Amended Joint Plan of Reorganization dated April 22, 2003 and Authorizing Substantive Consolidation* (the "Confirmation Order"). The Effective Date of the Plan occurred on August 19, 2003. Except as otherwise defined herein, capitalized items have the meaning ascribed to them in the *Debtors' Third Amended Joint Plan of Reorganization dated April 22, 2003* (the "Plan").

B. The DHS has filed against the Debtors Proof of Claim Nos. 1630 and 1659 in the amounts of \$244,922.87 and \$208,720.55, respectively (in addition to certain other proofs of claim that have been withdrawn pursuant to the *Stipulation (I) Continuing Hearing on Reorganized Enterprise's Objection and Motion to Disallow Amended Claim (No. 1659) and (II) Disallowing Other Claims of California Department of Health Services*" (Docket Number 2323 entered June 21, 2004), the "First Stipulation".) Claim No. 1630, as amended by Claim No. 1659, is hereinafter referred to as the "Disputed Claim."

C. The Disputed Claim includes (i) certain amounts DHS alleges are owed by certain Debtors for recoupment of certain overpayments and the parties agree that such overpayments are now asserted in the amount of \$205,503.50, and (ii) claims arising from certain citations, which the parties agree are now asserted in the amount of \$15,600 in certain classes as follows (the "Citations"):

	Class	Citation No.
Brier Oak Terrace	A	97-2027-01043-S
Devonshire Care Center	B	25-1156-01423-S
Willow Creek	B	04-0356-01142-S
Hancock Park Conv Hosp	B	97-2039-00969-S
Royalwood	B	91-1262-01234-S
Woodland Care Center	B	92-1332-01086-S
Palm Grove	B	06-0775-0000971-S
Palm Grove	B	06-0775-0000972-S
Brier Oak Terrace	B	97-1381-0001358-S
Hancock Park Conv Hosp	B	97-2028-0001360-S
Sycamore Park	B	97-1381-01371-S
Rio Hondo	B	94-1308-0001481-S
Rio Hondo	B	91-1392-01498-S

D. The Reorganized Enterprise asserted certain objections to the Disputed Claim in its *Omnibus Motion Seeking Disallowance of Certain Claims* (the "Omnibus Motion"), which was filed on May 17, 2004. Pursuant to subsequent stipulations between the parties, the hearing on the Reorganized Enterprise's objection to the Disputed Claim, as such objection is set forth in the Omnibus Motion, has been continued to November 2, 2005.

E. By that certain Stipulation filed October 24, 2005 DHS and the Reorganized Enterprise sought to resolve the Reorganized Enterprise's objection to the Disputed Claim, but the parties inadvertently omitted from Recital C therein Citation No. 94-1308-0001481-S relating to the Rio Hondo facility.

F. By this Amended Stipulation, the DHS and the Reorganized Enterprise seek to resolve the Reorganized Enterprise's objection to the Disputed Claim by submitting to the Court an Amended Stipulation that corrects the error in Recital C of the Stipulation filed October 24, 2005.

**NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING AND OTHER GOOD AND VALUABLE CONSIDERATION, SKILLED HEALTHCARE AND THE DHS AGREE AS FOLLOWS:**

1. As a matter of compromise only, Skilled Healthcare agrees to pay to the DHS, and the DHS agrees to accept from Skilled Healthcare, the amount of \$123,426.93. This

1 amount is comprised of \$113,026.93 reflecting the amount alleged in Recital C.(i) and  
2 \$10,400 reflecting the amount alleged in Recital C.(ii). Such payment shall be in full and  
3 complete satisfaction of the Disputed Claim and any and all other claims that the DHS  
4 asserts against Skilled Healthcare, the Reorganized Enterprise, the Debtors, their Estates,  
5 officers, directors, employees, attorneys, agents or their affiliates (the "Released Parties")  
6 and that arose on or before July 10, 2003 (the "Confirmation Date"). Such payment will be  
7 made within forty five (45) days of entry of an order approving this Amended Stipulation  
8 and shall be made to the Department of Health Services (i) in the amount of \$113,026.93  
9 sent to California Department of Health Services, Recovery Section-Overpayments Unit,  
10 Mail Stop 4720, Post Office Box 997421, Sacramento, California 95899-7421; (ii) in the  
11 amount of \$10,400 sent to California Department of Health Services, Citation Collection  
12 Unit, Post Office Box 189190, Sacramento, California, 95818-9190.

13 2. For the sole purpose of effecting a compromise of the Disputed Claim, Skilled  
14 Healthcare agrees not to contest the issuance of the various citations referenced in the  
15 Disputed Claim and agrees not to contest the classes of such citations. Further, Skilled  
16 Healthcare acknowledges that the DHS may utilize this Amended Stipulation for any  
17 purpose in any administrative or legal cause or proceeding between the DHS and any of the  
18 Released Parties, including, but not limited to use by the DHS consistent with the provisions  
19 of the Health and Safety Code. For the purpose of use by the DHS in any legal cause or  
20 proceeding authorized by the Health and Safety Code, the DHS shall be relieved of any  
21 burden of proving the facts upon which the citation is based. In consideration for Skilled  
22 Healthcare's payment to the DHS hereunder and the admission described above in this  
23 paragraph 2 of this Amended Stipulation, the Citations shall be deemed fully resolved and  
24 final.

25 3. It is specifically understood and agreed that paragraph 2 of this Amended  
26 Stipulation is set forth solely for the purpose of compromising the Reorganized Enterprise's  
27 objection to the Disputed Claim, and execution of this Amended Stipulation does not  
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1 constitute any acknowledgement or admission of error, liability or wrongdoing by either  
2 party. The agreement contained herein shall not preclude any of the Released Parties from  
3 contesting the validity of any facts alleged in any of the Citations in any legal or  
4 administrative proceeding initiated by a third party and shall not preclude any of the  
5 Released Parties from contesting the validity of those facts in any legal or administrative  
6 proceeding to which the DHS is not a party.

7 4. The DHS agrees that the following agreements (the "DHS Agreements") were  
8 assumed and/or assigned by the Debtors under the Plan:

- 9 a. Briar Oak ZZT 06056J  
10 b. Rio Hondo LTC 70093F and ZZT 06041K  
11 c. Fountain View Convalescent LTC 70087F and ZZT 05111F  
12 d. Valley Health ZZR 06225F  
13 e. The agreements with the DHS and/or Electronic Data Systems ("EDS")  
14 that are listed in the Schedule of Assumed or Assigned Agreements that were  
15 assumed or assigned under the Plan.

16 5. Upon the earlier of the entry of an order approving this Amended Stipulation  
17 and the payment of the amount due hereunder, Claim Nos. 1630 and 1659, and all other  
18 proofs of claim and/or requests for payment of administrative expense filed by the DHS that  
19 were not withdrawn pursuant to the First Stipulation, are disallowed with prejudice in their  
20 entirety. Except for the payments to be made by Skilled Healthcare in accordance with  
21 Paragraph 1, DHS waives any right it may have to recoupment (or other grounds for setoff or  
22 other recovery) of amounts that DHS asserts were overpaid based on cost reports submitted  
23 pursuant to Welfare and Institutions Code section 14170 for the 2002 calendar year reporting  
24 period and any earlier reporting period; provided, however, that the foregoing waiver shall  
25 not affect (and Skilled Healthcare will not seek to recover) the amounts asserted by DHS to  
26 be due for the 2002 audit of Rio Hondo (\$32,209), the 2002 audit of Fountain View  
27 Convalescent (\$22,968), or Valley Convalescent (Valley Health Care Center) (\$158), which  
28

1 amounts have already been paid to or recouped by DHS. This agreement shall not serve to  
2 release or limit DHS' recovery by recoupment, set off, or other grounds for recovery of  
3 overpayments for cost reports for the 2003 calendar year reporting period or any subsequent  
4 reporting period. DHS may recoup, set off or otherwise recover any amounts not paid in  
5 accordance with Paragraph 1 of this Agreement.

6 6. Upon entry of an order approving this Amended Stipulation, the Omnibus  
7 Objection Motion as it is asserted against the Disputed Claim is withdrawn as moot, and the  
8 order setting the hearing on the Omnibus Objection Motion as it applies to the Disputed  
9 Claim for November 2, 2005 at 10:00 a.m. shall be vacated.

10  
11 DATED: Oct. 25, 2005

STATE OF CALIFORNIA DEPARTMENT OF  
HEALTH SERVICES

12  
13 

14 Steven A. Oldham, Staff Attorney for the Office of  
15 Legal Services of the State of California  
16 Department of Health Services

17 DATED: Oct. 25, 2005

SKILLED HEALTHCARE GROUP, INC.

18 

19 Roland Rapp  
20 General Counsel and Chief Administrative Officer

21  
22 **ORDER**

23 The foregoing Amended Stipulation is incorporated herein as the Order of the Court  
24 and hereby is APPROVED and SUPERSEDES the Stipulation filed October 24, 2005.

25  
26  
27 DATED: January 6, 2006

28   
THE HONORABLE SHERI BLUEBOND  
UNITED STATES BANKRUPTCY JUDGE